

Message Text

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ACTION NEA-10

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FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC PRIORITY 3845

C O N F I D E N T I A L ABU DHABI 0261

E.O. 11652: GDS

TAGS: EINV, PINT, TC

SUBJECT: KODAK INVESTMENT IN DUBAI

REF: STATE 23887

1. EMBASSY'S DUBAI OFFICE HAS HAD FREQUENT MEETINGS WITH KODAK REPS KIDNEY AND GRAY. OUR IMPRESSION IS THAT COMPANY HAS ALREADY DECIDED TO PROCEED WITH BUILDING FACILITY AND NOW IS PLANNING RECRUITMENT OF AMERICAN, LEBANESE AND LOCAL STAFF.

2. IN OUR JUDGMENT WE CAN BE STRONGLY ENCOURAGING ABOUT BROAD POLITICAL AND ECONOMIC FACTORS THAT WILL GO INTO KODAK DECISIONS ABOUT ITS DUBAI INVESTMENT. WE DO NOT SEE ANY MAJOR THREATS TO CONTINUED RULE OF SHAIKH RASHID AND HIS FAMILY IN DUBAI. SUCCESSION ISSUE IS MURKY BECAUSE OF WEAK ELDER SON MAKTOUM, WITH MANY OBSERVERS SPECULATING THAT SUCCESSOR WILL BE THIRD SON, MOHAMMED, REPORTEDLY SHAIKH RASHID'S FAVORITE. HOWEVER, WHETHER IT IS MOHAMMED OR ONE OF OTHER SONS, THERE IS STRONG LIKELIHOOD THAT CURRENT COMMERCE-FAVORING POLICIES, UPON WHICH DUBAI PROSPERITY IS BASED, WILL BE CONTINUED. POSSIBILITY OF OVERTHROW OF BUFALASA DYNASTY THROUGH SOME KIND OF SOCIAL UPHEAVAL MUST AT THIS POINT BE CONSIDERED REMOTE.

3. ONLY OTHER POSSIBLE THREAT TO UNRESTRICTED BUSINESS ACTIVITY IN DUBAI COULD COME FROM GRADUAL STRENGTHENING OF UAE CENTRAL GOVERNMENT CONTROLS OVER COMMERCIAL AND LABOR AFFAIRS. SUCH CONTROLS WOULD PROBABLY TAKE FORM

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OF REQUIRING GREATER LOCAL PARTICIPATION (SIMILAR TO

ABU DHABI'S REQUIREMENT) AND OF STRICTER ENFORCING OF
FEDERAL LABOR AND IMMIGRATION LAWS. HOWEVER, SO FAR
SHAIKH RASHID HAS BEEN SUCCESSFUL IN RESISTING
APPLICATION OF THESE FEDERAL LAWS IN DUBAI AND WE BELIEVE
HE WILL CONTINUE TO BE LOATHE TO ACCEPT ANYTHING WHICH
HE CONSIDERS AS THREATENING ECONOMIC LIFE-BLOOD OF HIS
EMIRATE.

4. AS GENERAL COMMENT, KODAK'S PROPOSAL CLOSE BUSINESS
RELATIONSHIP WITH SHAIKH RASHID IS NOT RPT NOT UNIQUE.
FOR AT THE MOMENT THE RULER RUNS THE ONLY GAME IN TOWN.
AND KODAK, LIKE OTHERS, WILL FIND THAT ITS PERSONAL
RELATIONSHIP WITH HIM WILL REPLACE COMMERCIAL CODES,
LABOR LAWS, AND OTHER BUREAUCRATIC FORMALITIES
NORMALLY REQUIRED FORNFESTABLISHING A BUSINESS. NOT ONLY
DOES THIS HAVE OBVIOUS PRESENT ADVANTAGES, BUT SHOULD
SYSTEM CHANGE IN FUTURE, FATL THAT OTHERS DO BUSINESS
WITH RASHID IN SAME FASHIO WOULD MEAN THAT KODAK WOULD
BE IN SAME BOAT WITH OTHER, NOT OUT ON LIMB BY ITSELF.
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